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AF/E FOR MARIA BEYZEROV, H FOR ANDREW MACDERMOTT

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SUBJECT: SCENESETTER FOR CODEL THOMPSON

Classified By: DCM Pamela Slutz, reasons 1.4 (b) and (d).

11. (C) Summary: Welcome to Kenya. Your visit comes eight months after the disputed December 2007 general elections, when the controversial announcement of the victory of incumbent President Kibaki led to widespread violence, the deaths of 1,500 people and displacement of 600,000 Kenyans. Kenya has made significant progress in recovering from the aftermath of the crisis, but significant challenges remain, especially in advancing the ambitious reform agenda laid out in the Kofi Annan-brokered power sharing agreement. While allegations of electoral fraud sparked the violence, the crisis revealed serious flaws in the institutions of governance and deep-seated tensions among Kenya's ethnic groups. The security situation has calmed considerably since a power-sharing agreement led to the formation of a Grand Coalition government in March. However, tensions in some areas remain high; tens of thousands of displaced people are still living in temporary camps, and reconciliation and reconstruction efforts in the areas hardest hit by the post-election violence are still in the early stages. The coalition government must undertake a series of institutional reforms to create a stable framework for governance over the long term. Kenya's economy took a serious hit as a result of the crisis, especially in the agriculture and tourism sectors. As a longstanding partner of Kenya, the U.S. has been instrumental in advancing political dialogue, responding to the humanitarian crisis, and supporting the new Grand Coalition government. Prime Minister Odinga's June visit to Washington highlighted U.S. support and provided an important boost to the still-nascent office. Our continued support for the stabilization, reform, and reconciliation process will be critical over the next two years. The United States played a decisive role in helping Kenyans to resolve the crisis, and the Kenyan people -- as well as both Kibaki and Odinga -- are extremely appreciative of the role we played. End summary.

Flawed Elections Ignite an Ethnic Tinderbox

12. (SBU) Six months before Kenya's December 2007 presidential and parliamentary elections, incumbent President Mwai Kibaki was widely perceived to be the front runner. However, by the fall, opposition campaigns began to coalesce and public opinion polls revealed a surge in support for Orange Democratic Movement (ODM) candidate Raila Odinga. As voting day neared, the only sure bet was that the race between Kibaki and Odinga would be very close.

13. (C) Voter turnout on election day was impressive. Embassy and other international and domestic election observers deployed countrywide returned with largely positive reports of Kenya's exercise in democracy. While the results of local council and parliamentary elections were deemed credible by both domestic and international observers, trouble arose during the tallying of the presidential election results. Voting results were likely altered at tallying centers in party strongholds on both sides around

the country. More worryingly, credible allegations emerged after the polls closed of vote fixing at the headquarters of the Electoral Commission of Kenya (ECK) in Nairobi, where the final tallying and announcements of results were made. Subsequent investigations by a number of neutral observers (including the Embassy) concluded that the level of cheating on both sides was high enough to throw Kibaki,s declared victory (by a narrow 230,000 vote margin) into question. It remains uncertain as to who won the election, and we will likely never know for sure.

¶4. (C) Fueled by the perception (right or wrong) that their candidate had been cheated of victory, Odinga supporters, largely of his Luo ethnic group, began violent demonstrations in parts of Nairobi and in ODM strongholds in Western Kenya even before Kibaki was announced the official winner and then quickly sworn in. The Kibaki government denied allegations of electoral fraud and the police were called out to prevent large demonstrations in downtown Nairobi.

¶5. (C) As time progressed, however, the violence became more widespread and appeared increasingly disconnected from the election results themselves. In the Rift Valley, indigenous Kalenjin militias began targeting ethnic Kikuyu settlers (members of President Kibaki,s tribe and the backbone of the ruling Party of National Unity (PNU) coalition). Kikuyus were chased from their farms and businesses, many of which were subsequently burned. Kikuyu militias subsequently attacked Kalenjins and Luos in other parts of the country, raising the specter of an ethnically-based civil war. Over 1,500 Kenyans have died and an estimated 600,000 were displaced as a result of the conflict.

¶6. (C) As a result of the unrest, the economy suffered a major blow. Tourism, a major foreign exchange earner and job provider, dropped by 90 percent. Agriculture and commerce in the breadbasket Rift Valley region was crippled by improvised roadblocks that hindered the movement of goods and people. Many farmers missed harvesting their crops and failed to plant new crops, threatening Kenya,s food security. Unrest in western Kenya cut off manufacturers and distributors from 40 percent of their domestic market. Workforces were divided by tribal tensions. Trucks carrying fuel and goods to Uganda, Tanzania, Rwanda, Burundi, and the DRC were forced to travel in convoys with military or police escorts.

Power Sharing Agreement Critical First Step

¶7. (SBU) Following the disputed election results, there were calls for a re-tally of votes or even a new election to solve the crisis. This sentiment, however, gave way to the more pragmatic realization that the ECK was not capable of organizing another credible election, and that a recount would likewise lack legitimacy given that the paper trail for ballots had been compromised. As such, a consensus emerged that the only way out of the political crisis was negotiations between the GOK and the ODM on a power sharing arrangement, to be followed by institution reforms, including a new constitution and implementing land reform.

¶8. (SBU) The crisis revealed the dire need to strengthen Kenya,s institutions and acknowledge the deep social grievances that exist between communities. Pundits have (accurately) observed that because Kenya,s politicians have a history of using state power to distribute benefits to their ethnic kin, the consequences of a lost election (and the tension over a close election) are more stark and therefore fuel ethnic tensions.

The Political Environment

¶9. (SBU) While the post-election violence revealed stark weaknesses in Kenya,s political and social fabric, the reaction to it from many ordinary Kenyans revealed its strength. Media and civil society distinguished themselves

by promoting peace and reconciliation, and businesses banded together to encourage an agreement between the feuding political parties. These interventions were critical in encouraging political leaders to come to an agreement.

¶10. (SBU) Under the Kofi Annan-brokered power sharing agreement, President Kibaki maintained his position and the newly-elected parliament amended the constitutional to create a position of Prime Minister, filled by Orange Democratic Movement (ODM) leader Raila Odinga. A coalition cabinet) with a record number of 40 ministers) gave President Kibaki,s Party of National Unity and Prime Minister Odinga,s ODM an equal share of portfolios.

¶11. (SBU) The new Grand Coalition Government,s task is to undertake a wide range of reforms to address the root causes of the post-election violence. Constitutional, electoral and land reform all rank high on the list. The Government will also need to pay close attention to the reintegration of internally displaced persons to avoid re-ignition of the conflict. So far, it has failed at this. Encouraging displaced persons to return to their homes without providing return packages or fostering dialogue with rival ethnic groups has been a gamble on the government,s part. While the return process has not ignited new conflict, the risk is present. Once again, local leaders and civil society have stepped in to encourage dialogue and healing between rival groups: progress will be slow, but the efforts in many places are genuine.

¶12. (SBU) The Grand Coalition government is fragile: not only do senior members from both of the main political parties frequently posture against one another over sensitive post-crisis issues such as amnesty for those accused of committing violence, there is also considerable jockeying for influence within each of the parties themselves. Since this is President Kibaki,s final presidential term, rivalries within his Party of National Unity are particularly strong. The negative effect of the public sniping is mitigated somewhat by the good working relationship between President Kibaki and Prime Minister Odinga.

¶13. (SBU) The December 2007 elections ushered in major changes in Parliament: only 30 percent of the MPs from the previous parliament were re-elected. Since the 42-member cabinet (drawn from the ranks of MPs) is filled with many old party loyalists, opportunities for leadership within the still-developing parliamentary committee system are available for newer MPs. This new parliament will be responsible for passing much of the reform legislation (including major amendments to the constitution). By all reports, what the new parliament lacks in experience they make up for with enthusiasm.

¶14. (SBU) There have been calls by some in parliament to form a Grand Opposition to the Coalition Government. The initiative has some momentum in Parliament, although neither Kibaki nor Odinga supports it. While some of the MPs who support the idea of an opposition appear to be driven by genuine concern over the lack of a watchdog in Parliament, others appear to be motivated by bitterness that they were left out of the (already too-large) cabinet. We are not convinced that the benefits of creating an opposition would outweigh the costs, not least because of the legal and political difficulties that would arise from a sub-group of a political party forming an opposition against itself.

The Economic Picture

¶15. (SBU) In the culmination of a growth trend that started in 2003 and ended nearly two decades of economic stagnation, the Kenyan economy grew by seven percent in 2007, the highest rate in 30 years. However, the post-election violence greatly reduced agricultural and tourism sector production in 2008, inflation is high due to reduced food production and international oil prices, and other sectors will likely

suffer from significant decreases in consumer spending and investment. Forecasts for economic growth in 2008 are in the 3-4.5 percent range. If the Grand Coalition Government functions effectively and Kenya receives normal rainfall, growth in 2009 should return to the 4.5-6 percent range. To pull the vast majority of Kenyans out of poverty and fully realize its economic potential, Kenya needs to reduce the cost of doing business and attract more investment to create more jobs. This will require Kenya to rebuild the country's decrepit infrastructure, reduce corruption, improve security, reform the telecommunications sector, continue to privatize parastatals and deregulate the economy, and improve economic governance generally. Kenya continues to benefit from the Africa Growth and Opportunity Act (AGOA), but must diversify out of the apparel industry if it hopes to avoid losing out to its global competitors. In June 2008, the Government announced a revision of its ambitious &Vision 2030 initiative, which aims to address the damage done by the violence and the problems noted above to achieve 10 percent annual growth for two decades starting in 2012 as a means of achieving newly industrializing middle-income status by 2030.

U.S. Interests in Kenya Require Our Active Engagement

¶16. (U) The U.S. has spent the last 15 years strengthening our partnership with Kenya as an emerging multiparty democracy. The U.S. was instrumental in helping Kenya progress to multiparty elections in 1992 after years of single-party rule under ex-President Moi. Since the victory of then-opposition candidate Mwai Kibaki in 2002, our relationship with Kenya has grown stronger, resulting in assistance, trade, investment and private remittances totaling at least USD 1.5 billion. The U.S. private sector now has a robust relationship with Kenya. Bilateral trade in 2006 amounted to USD 800 million. U.S. direct investment in Kenya totals about USD 285 million. Over 100,000 American tourists visited Kenya in 2007. About 10,000 Americans live in Kenya.

¶17. (C) Prior to the crisis, the Mission's top priority was working with the GOK against the threat of terrorism. Al-Qaeda bombed our Embassy on August 7, 1998. It also attacked an Israeli-owned hotel and Israeli-chartered aircraft in Kenya in 2002. Al-Qaeda retains the ability to operate in and around Kenya. Overall, Kenyans (and their government representatives) have been good partners in the war on terror. Unfortunately, our progress in encouraging the government to implement appropriate legislation and build the needed institutional capacity to fight terrorism has been slow. Many of the needed reforms have met with considerable political resistance, most notably accusations that proposed counterterrorism and anti-money laundering bills give the government too much power and are inherently anti-Muslim.

¶18. (U) Kenya is a key nation in the East Africa Regional Strategic Initiative (EARSII), which was established to coordinate USG counterterrorism (CT) efforts throughout the Horn of Africa and Yemen under the 3D (Diplomacy, Development, Defense) concept. A key component of our CT effort with the GOK is the Antiterrorism Assistance (ATA) program, run by the State Department's Bureau of Diplomatic Security. Kenya is one of six countries with an in-country ATA program. ATA is intended to improve the capability of law enforcement officers and agencies to predict, prevent, deter and react to terrorist acts. Other CT assistance and coordination efforts with Kenyan law enforcement and judicial agencies are carried out by the offices of the Resident Legal Advisor, the Department of Homeland Security, and the Legal Attach. The Kenya U.S. Liaison Office coordinates training and assistance to the Kenyan armed forces and a liaison office of the Combined Joint Task Force) Horn of Africa is responsible for the activities of military Civil Affairs teams operating within Kenya. While the U.S. Agency for International Development does not provide direct CT assistance, many of its aid programs are focused on locations and groups perceived as vulnerable to extremist activities,

with the goal of diminishing the underlying conditions that lead to support for terrorist activities.

¶19. (U) The U.S. Mission in Kenya serves as a vital regional platform to promote U.S. interests throughout much of Africa. It is the largest U.S. diplomatic mission in sub-Saharan Africa, comprising 19 federal government agencies or offices, many of which have regional mandates. Among these agencies are the U.S. Agency for International Development, Peace Corps, the Library of Congress, the Centers for Disease Control, and the Departments of State, Defense, Commerce, Agriculture, Homeland Security, Treasury and Justice. U.S. Mission Kenya also represents the USG to United Nations bodies headquartered in Nairobi (UNEP and U.N. Habitat).

¶20. (SBU) We have leveraged our close partnership with Kenya to encourage dialogue between Kibaki and Odinga. We have been clear in delivering the message that the success of our bilateral relationship currently rests in the success of the coalition government. Kenyans across the political, social, and ethnic spectrum continue to express their deep appreciation of the decisive role the U.S. played in ending the political crisis.

¶21. (U) The U.S. has also led the international response to the humanitarian crisis and has provided over USD 96 million in humanitarian assistance so far in 2008. Much of this was for immediate disaster assistance for those affected by the post-election violence, but also for refugees and those affected by the current drought. We have provided support to the Kenyan Red Cross Society, various UN agencies, and numerous NGOs for rapid response activities, water and sanitation programs, distribution of emergency relief supplies, women and children protection programs, nutrition and health projects, and support for community-based peace and reconciliation initiatives.

Comment

¶22. (C) At this critical juncture in Kenya,s history, we are standing together with the Kenyan people and echoing their calls for peace, reconciliation, and reforms to redress the structural and social inequalities that fuelled the recent crisis. The Grand Coalition government has a very narrow window to work in: if they do not produce serious reforms within the next year or so, the positive momentum generated by fear of re-igniting the recent conflict will be lost. The Administration,s recent request for USD 75 million to support Kenya,s recovery will be critical to supporting the Kenyan people through this crucial period. End Comment.
RANNEBERGER